

**Woodhaven-Brownstown School District
Brownstown, Michigan**

FINANCIAL STATEMENTS

June 30, 2008

Woodhaven-Brownstown School District

Brownstown, Michigan

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June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Woodhaven-Brownstown School District
Brownstown, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Woodhaven-Brownstown School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Woodhaven-Brownstown School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Woodhaven-Brownstown School District as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2008 on our consideration of Woodhaven-Brownstown School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control and financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Woodhaven-Brownstown School District's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 22, 2008

This section of Woodhaven-Brownstown School District's annual report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Woodhaven-Brownstown School District, a K-12 school district located in Wayne County, Michigan, is in its fifth year of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Woodhaven-Brownstown School District Management's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Woodhaven-Brownstown School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, Capital Projects Fund and Sinking Fund individually, and the Special Revenue Funds and Debt Service Funds collectively as other non-major governmental funds. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the basic financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, child care, recreation and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The District-wide financial statements are full accrual basis statements. They report all the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District-wide financial statements.

Fund Financial Statements

The fund level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Funds and the Special Revenue (School Service) Funds which are comprised of: Cafeteria, Athletics, Funded Programs and Special Education.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Summary of Net Assets:

The following summarizes the net assets as of June 30, 2008 and 2007:

Condensed Statement of Net Assets
as of June 30, 2008 and 2007

	Governmental Activities 2008	Governmental Activities 2007
Assets		
Current Assets	\$ 22,622,071	\$ 23,038,391
Noncurrent Assets	1,130,102	16,230,090
Capital Assets	<u>99,908,354</u>	<u>93,851,109</u>
Total Assets	123,660,527	133,119,590
Liabilities		
Current Liabilities	11,225,083	18,639,669
Noncurrent Liabilities	<u>82,330,198</u>	<u>87,275,812</u>
Total Liabilities	93,555,281	105,915,481
Net Assets		
Invested in capital assets, net of related debt	15,616,273	25,507,512
Restricted	13,596,811	3,797,346
Unrestricted (Deficit)	<u>892,162</u>	<u>(2,100,749)</u>
Total Net Assets	<u>\$ 30,105,246</u>	<u>\$ 27,204,109</u>

Analysis of Financial Position:

The \$892,162 in unrestricted net assets of governmental activities represents district funds that have not been committed contractually or for debt obligations and are available for future use. As detailed above, the District shows a positive total net asset value of \$30,105,246 for the fiscal year ended June 30, 2008. This statement can be explained by the following factors:

- The passing of a 90 million dollar construction millage in 2002. Construction projects in order to upgrade facilities and technology continued through the 2007-2008 year, which represents a significant portion of the District's total capital assets of approximately 100 million dollars, which is net of accumulated depreciation.
- Significant debt, (\$90 million) was incurred by the District in 2002 to pay for the facility projects. There has been several refundings of the bonded debt. The District's current debt outstanding related to these projects is approximately 84 million dollars.
- The District currently has approximately 12 million dollars of Capital Project and Sinking funds and 2 million dollars of Debt Service funds on hand that are restricted to be used for those purposes.

Results of Operations:

For the fiscal years ended June 30, 2008 and 2007, the District-wide results of operations were:

Condensed Statement of Activities
Years Ended June 30, 2008 and 2007

	Governmental Activities 2008	Governmental Activities 2007
Revenues:		
Program Revenues		
Charges for Service	\$ 1,198,384	\$ 2,087,888
Operating Grants	8,431,843	7,178,329
General Revenues		
Property Taxes	18,507,247	17,410,890
State School Aid-unrestricted	30,196,957	30,062,856
Other	<u>616,369</u>	<u>3,297,619</u>
Total Revenues	59,950,800	60,037,582
Functions/Program Expenses:		
Instruction	31,952,736	29,070,876
Supporting services	18,002,189	20,608,926
Community services	5,089	306,081
Cafeteria	1,718,031	1,413,824
Athletics	615,750	627,572
Interest on long-term debt	<u>3,755,868</u>	<u>4,161,673</u>
Total Expenses	<u>56,049,663</u>	<u>56,188,952</u>
Increase in Net Assets	<u>\$ 2,901,137</u>	<u>\$ 3,848,630</u>

Analysis of Results of Operations:

During fiscal year ended June 30, 2008, the District's net assets increased by \$2,901,137. Several factors which helped cause the decrease are discussed in the following sections.

A. Governmental Fund Operating Results

The District's expenditures and other financing uses from governmental fund operations exceeded revenues and other financing sources by (\$8,472,211) for the fiscal year ended June 30, 2008. Further discussion of the district's operating results is available in the section entitled "Results of 2007-2008 Operations" located on the following page.

B. Capital Outlay in Excess of Depreciation Expense

The cost of capital assets is allocated over the useful lives of the assets as depreciation expense. During 2007-2008, the District's investment in new or replacement assets exceeded the current year depreciation and loss on disposal of assets, causing an increase in net district assets. The District's overall net assets were increased by \$6,057,245 calculated as the difference between new capital investments \$11,959,493 and depreciation allocated against the useful lives of district assets (\$5,212,089) and loss on disposal of capital assets (\$690,159).

C. Long-Term Debt Activities

The District decreased its long-term debt obligations during 2007-2008 by making principal payments amounting to \$4,953,485; borrowing \$80,959 from the Michigan School Bond Loan Fund (principal and interest); reduction in accrued interest cost of \$121,734 on outstanding debt was incurred by the District during the fiscal year; amortization of premium/discount costs increased liability by \$121,145. Also, compensated absences, early retirement incentives and accrued vacation liabilities decreased by \$532,055. As a result of these activities, net district long-term debt liabilities decreased by \$5,404,581.

Results of 2007-2008 Operations

During fiscal year ended June 30, 2008, the District net assets increased by \$2,901,137. A few additional significant factors affecting net assets during the year are discussed below:

A. General Fund Operations

The General Fund is the main fund for the District and includes all the costs related to educating the students of the Woodhaven-Brownstown School District such as: Salaries and benefits for Teachers, Classroom Aides, Administrators, Secretaries, Custodians, Maintenance staff, Noon Aides, Librarians, Counselors, Bus Drivers and other miscellaneous positions; teaching supplies, employee training, utilities, building maintenance supplies and other.

The District's General Fund revenues exceeded expenditures by \$1,604,892, for the fiscal year ended June 30, 2008. The General Fund as of June 30, 2008, has a fund balance of \$2,739,062, or 7% of expenditures for the 2007-2008 fiscal year. The School District continues to seek ways in which to become more efficient in order to continue to build fund equity and allow for increased expenditures to meet student needs. The School District will continue to seek ways in which to decrease non-instructional expenditures and increase fund equity in order to meet the fluctuations that may result from State of Michigan funding.

B. Debt Service Fund Operations

The Debt Service Funds consist of six (6) separate debt funds as follows: 1999 Debt, 2002 Debt, 2003 Debt, 2004 Debt, 2006 Debt, and 2006B Debt. The Debt Service Funds are set up to collect taxes and pay annual debt payments. At June 30, 2008, the Debt Service Funds had \$1,904,534 in fund equity available for future bond payments.

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008

The School District levies taxes to make debt payment obligations. If taxes levied are not sufficient the School District will borrow funds from the Michigan School Bond Loan Fund. Any funds borrowed from the Michigan School Bond Loan Fund will be paid back toward the end of the bond obligations. During this year the District borrowed \$80,959 (principal and accrued interest) and also made payments on principal and accrued interest (\$1,753,485 from the Michigan School Bond Loan Fund. The District also had compensated absences, accrued vacation and early retirement incentives outstanding at June 30, 2008 which totaled \$2,055,677.

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	Principal Balance <u>June 30, 2007</u>	Principal Payments	Principal Balance <u>June 30, 2008</u>
1999 Bonds	\$ 2,520,000	\$ 270,000	\$ 2,250,000
2002 Bonds	7,500,000	1,500,000	6,000,000
2003 Bonds	3,270,000	455,000	2,815,000
2004 Bonds	17,115,000	850,000	16,265,000
2006 Bonds	43,880,000	125,000	43,755,000
2006B Bonds	<u>14,270,000</u>	<u>-</u>	<u>14,270,000</u>
Total long-term bond obligations	<u>\$ 88,555,000</u>	<u>\$ 3,200,000</u>	<u>\$ 85,355,000</u>

C. School Service Funds

The Woodhaven-Brownstown School District also has school service funds that include the following: Cafeteria Fund, Athletic Fund, Funded Projects Fund and the Special Education Fund.

The Cafeteria Fund is a fund that reports the food service program. In 2007-2008 the Cafeteria Fund had revenues and expenditures of \$1,537,994. The Cafeteria Fund is not self-supporting and received a transfer of funds from the General Fund of \$ 116,110 to support its operation. The Cafeteria Fund had no fund balance.

The Athletics Fund includes all costs for athletic programs including the cost for coaches, officials, supplies, tournaments, transportation and other. In 2007-2008 the Athletics Fund had revenues and expenditures of \$550,682. The Athletics Fund must be a balanced budget and the District contributed \$395,361 from the General Fund to balance the fund. The Athletics Fund generated \$155,321 in revenue from gate receipts, passes, fees, donations, and other items. The Athletics Fund had no fund balance.

The Funded Projects Fund is a fund that reports all activities related to the Federal and State grant programs. In 2007-2008 the Funded Projects Fund had revenues and expenditures of \$2,452,190. The Funded Projects Fund had no fund balance.

The Special Education Fund is a fund that reports all activities related to services provided to Special Education students. In 2007-2008 the Special Education Fund had revenues and expenditures of \$2,336,597. The Special Education Fund had no fund balance.

D. Net Investment in Capital Assets

The District's net investment in capital assets increased by \$6,057,245 during the fiscal year. This can be summarized as follows:

	<u>Balance June 30, 2007</u>	<u>Net Additions</u>	<u>Balance June 30, 2008</u>
Capital assets	\$ 132,156,616	\$ 9,082,399	\$ 141,239,015
Less: accumulated depreciation	<u>(38,305,507)</u>	<u>(3,025,154)</u>	<u>(41,330,661)</u>
Net investment in capital outlay	<u>\$ 93,851,109</u>	<u>\$ 6,057,245</u>	<u>\$ 99,908,354</u>

In 2002, Woodhaven-Brownstown School District voters approved a \$56,540,000 general obligation bond issue. In 2004, another general obligation bond issue totaling \$33,885,000 was approved. The proceeds from these bond issues were used for constructing new facilities and additions and partial remodeling of existing school facilities, and equipping and re-equipping facilities. These capital projects were not considered substantially complete as of June 30, 2008.

IMPORTANT ECONOMIC FACTORS**1. State of Michigan Unrestricted Aid (Net State Foundation Grant)**

The State of Michigan aid, unrestricted, is determined with the following variables:

- State of Michigan State Aid Act per student foundation allowance
- Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- The District's non-homestead property valuation

Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Woodhaven-Brownstown School District foundation allowance was \$7,621 per student for the 2007-2008 school year.

Student Enrollment:

The District's blended student enrollment for 2007-2008 was 5,324 students. The District's enrollment increased by 31 students from the prior school year's student count. The following summarizes blended student enrollments in the past five years:

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2006-2007	5,293	+16
2005-2006	5,277	+107
2004-2005	5,170	+51
2003-2004	5,119	+75
2002-2003	5,044	+60

Subsequent to year end June 30, 2008, preliminary student enrollments for 2008-2009 indicate that enrollments may increase by approximately 6 students from 2007-2008.

2. Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or five (5) percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. The District's non-homestead property tax levy for 2007-2008 fiscal year was \$8,707,662. The non-homestead tax levy increased by approximately 10% over the prior year.

3. Debt Fund Property Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2007-2008 the District's debt millage levy was 7 mills that generated revenue of \$9,065,254.

4. Sinking Fund Property Taxes

The voters of Woodhaven-Brownstown School District approved a Sinking Fund millage to fund capital improvements and related activities. The District's Sinking Fund levy, which is used to pay the capital related costs, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2007-2008 the District Sinking Fund millage levy was .9778 mills that generated revenue of \$1,266,287.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

Listed below is an analysis of the original budget and final budget to the final actual.

General Fund Expenditures and Other Uses Budget vs. Actual

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances</u>	
				<u>Actual & Original Budget</u>	<u>Actual & Final Budget</u>
2007-2008	\$41,851,689	\$42,109,527	\$41,209,792	2.13%	1.57%

General Fund Revenues and Other Sources, Budget vs. Actual

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances</u>	
				<u>Actual & Original Budget</u>	<u>Actual & Final Budget</u>
2007-2008	\$41,495,226	\$42,940,191	\$42,814,684	(3.18%)	.29%

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the Board of Education approve the original budget for the upcoming year prior to July 1, the start of the fiscal year.

As a matter of practice, Woodhaven-Brownstown School District amends its budget periodically during the school year. The June 2008 budget amendment was the final budget for the fiscal year.

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008****Revenue Change from Original to Final Budget:**

		<u>Percent</u>
Total Revenues Original Budget	\$ 41,495,226	100.00
Total Revenues Final Budget	<u>42,940,191</u>	<u>103.48</u>
Increase in Budget Revenues	<u>\$ 1,444,965</u>	<u>3.48</u>

The District's final actual General Fund revenues differed from the final budget by \$125,507, a positive variance of .29% from the final budget.

The final revenue budget reflects the following changes from the Original Budget.

- The budgeted local revenues were increased mainly due to a one time tax tribunal settlement which was paid to the District prior to June 30, 2008.

General Fund Expenditures:

The District's budget for expenditures changed as follows during the year:

		<u>Percent</u>
Total Expenditures Original Budget	\$ 41,851,689	100.00
Total Expenditures Final Budget	<u>42,109,527</u>	<u>100.61</u>
Increase in Budget Expenditures	<u>\$ 257,838</u>	<u>.61</u>

The final expenditure budget reflects the following changes from the Original Budget.

- Instruction - Basic programs budgeted expenditures were increased mainly due to teacher retirement payouts and other teacher contract obligations, such as class overloads and stipends.

The District's actual expenditures were less than final budget by \$899,735; a positive variance of 1.57% from the final budget.

Additional Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009 fiscal year is 25 percent and 75 percent of the February 2008 and September 2008 student counts, respectively. The 2009 fiscal year budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Approximately 80 percent to 85 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2008-2009 school year, we anticipated that the fall student count will be slightly decreased by 26 students from the estimates used in creating the 2009 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State Funding and the status of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008**

In fiscal year 2008, the health and pension charge to employers in the District's retirement plan had been 16.72 percent of payroll, which was comprised of 6.55 percent for health and 10.17 percent for pension. The contribution rate for fiscal year 2009 is set at 16.54 percent of payroll, which is comprised of 6.81 percent for health and 9.73 percent for pension.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, it can be obtained by contacting the following person:

Lani Rozga
Executive Director of Business Services
Woodhaven-Brownstown School District
24975 Van Horn Road
Brownstown, MI 48134
Phone: (734) 783-3300

BASIC FINANCIAL STATEMENTS

Woodhaven-Brownstown School District

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 7,384,844
Cash and cash equivalents - restricted	8,211,854
Accounts receivable	106,983
Taxes receivable	208,778
Interest receivable	6,223
Due from other governmental units	6,555,169
Prepaid expenses and other assets	148,220
	<hr/>
Total current assets	22,622,071
Noncurrent assets	
Investments - restricted	1,130,102
Capital assets, net of accumulated depreciation	99,908,354
	<hr/>
TOTAL ASSETS	123,660,527
LIABILITIES	
Current liabilities	
Accounts and retainage payable	1,132,373
Accrued payroll	3,388,827
Accrued interest payable	665,505
Other accrued liabilities	2,128,966
Deferred revenue	60,116
Due to other governmental units	497,241
Current portion of compensated absences and early retirement liabilities	67,055
Current portion of long-term debt	3,285,000
	<hr/>
Total current liabilities	11,225,083
Noncurrent liabilities	
Noncurrent portion of compensated absences and early retirement liabilities	1,988,622
Noncurrent portion of long-term debt	80,341,576
	<hr/>
Total noncurrent liabilities	82,330,198
	<hr/>
TOTAL LIABILITIES	93,555,281
NET ASSETS	
Invested in capital assets, net of related debt	15,616,273
Restricted for:	
Debt Service	1,904,534
Capital Projects	11,692,277
Unrestricted	892,162
	<hr/>
TOTAL NET ASSETS	\$ 30,105,246

See accompanying notes to financial statements.

Woodhaven-Brownstown School District

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

		Program Revenues		Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants	Governmental Activities
Governmental Activities				
Functions/Programs				
Instruction	31,952,736	\$ 83,858	\$ 4,831,746	\$ (27,037,132)
Supporting services	18,002,189	130,518	2,999,589	(14,872,082)
Community services	5,089	-	7,309	2,220
Food services	1,718,031	828,686	593,199	(296,146)
Athletics	615,750	155,322	-	(460,428)
Interest on long-term debt	\$ 3,755,868	-	-	(3,755,868)
TOTAL EXPENSES	\$ 56,049,663	\$ 1,198,384	\$ 8,431,843	(46,419,436)
General Revenues				
Taxes				
Property taxes, levied for general purposes				8,566,434
Property taxes, levied for debt services				8,721,275
Property taxes, levied for capital projects				1,219,539
State school aid - unrestricted				30,196,957
Interest and investment earnings				1,064,750
Rentals				52,045
Other				189,732
Special item - Loss on disposal of equipment				(690,159)
TOTAL GENERAL REVENUES AND SPECIAL ITEM				49,320,573
CHANGE IN NET ASSETS				2,901,137
Net assets, beginning of year				27,204,109
Net assets, end of year				\$ 30,105,246

See accompanying notes to financial statements.

Woodhaven-Brownstown School District

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2008

	General	Capital Project Fund	Sinking Fund
ASSETS			
Cash and cash equivalents	\$ 2,466,389	\$ 8,211,854	\$ 3,012,231
Investments	-	1,130,102	-
Accounts receivable	106,778	-	-
Taxes receivable	170,491	-	4,729
Accrued interest receivable	-	4,567	1,656
Due from other funds	1,993	3,966	-
Due from other governmental units	6,555,169	-	-
Prepaid expenditures	123,220	-	-
Other assets	25,000	-	-
TOTAL ASSETS	\$ 9,449,040	\$ 9,350,489	\$ 3,018,616
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 464,001	\$ 255,500	\$ 279,744
Accrued payroll	3,388,827	-	-
Retainage payable	-	132,608	-
Other accrued liabilities	2,128,376	-	-
Due to other funds	498,168	281	3,966
Due to other governments	-	-	-
Deferred revenue	230,606	-	4,729
TOTAL LIABILITIES	6,709,978	388,389	288,439
FUND BALANCES			
Reserved for			
Debt service	-	-	-
Prepays	123,220	-	-
Unreserved			
Designated for:			
Technology Replacement	238,136	-	-
Capital purchases and improvements	30,000	-	-
Building budget carryover	31,831	-	-
Undesignated, reported in:			
General Fund	2,315,875	-	-
Capital Project Fund	-	8,962,100	2,730,177
Special Revenue Funds	-	-	-
TOTAL FUND BALANCES	2,739,062	8,962,100	2,730,177
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,449,040	\$ 9,350,489	\$ 3,018,616

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,906,224	\$ 15,596,698
-	1,130,102
183	106,961
33,558	208,778
-	6,223
498,168	504,127
-	6,555,169
-	123,220
-	25,000
<u>\$ 2,438,133</u>	<u>\$ 24,256,278</u>
\$ 520	\$ 999,765
-	3,388,827
-	132,608
590	2,128,966
1,690	504,105
497,241	497,241
33,558	268,893
533,599	7,920,405
1,904,534	1,904,534
-	123,220
-	238,136
-	30,000
-	31,831
-	2,315,875
-	11,692,277
-	-
<u>1,904,534</u>	<u>16,335,873</u>
<u>\$ 2,438,133</u>	<u>\$ 24,256,278</u>

Woodhaven-Brownstown School District

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance - governmental funds **\$ 16,335,873**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 141,239,015	
Accumulated depreciation is	<u>(41,330,661)</u>	
		99,908,354

Other long-term assets not available to pay current period expenditures, therefore deferred in the governmental funds

Deferred revenue		208,777
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Unamortized discount on bonds payable	2,059,468	
Bonds payable	(85,686,044)	
Accrued interest payable	(665,505)	
Compensated absences and early retirement incentives	<u>(2,055,677)</u>	
		<u>(86,347,758)</u>

Net assets of governmental activities		<u>\$ 30,105,246</u>
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See accompanying notes to financial statements.

Woodhaven-Brownstown School District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	General	Capital Project Fund	Sinking Fund
REVENUES			
Local sources	\$ 9,231,589	\$ 622,507	\$ 1,306,070
State sources	32,745,359	-	-
Federal sources	78,622	-	-
OTHER FINANCING SOURCES			
Transfers in	216,932	-	-
Interdistrict	542,182	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	42,814,684	622,507	1,306,070
EXPENDITURES			
Current			
Instruction	25,207,987	-	-
Supporting services	15,373,922	-	-
Community services	-	-	-
Food service activities	-	-	-
Athletic activities	-	-	-
Capital outlay	116,412	11,536,975	565,144
Debt service			
Principal retirement	-	-	-
Interest, fiscal and other charges	-	-	-
OTHER FINANCING USES			
Transfers to other funds	511,471	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	41,209,792	11,536,975	565,144
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,604,892	(10,914,468)	740,926
Fund balances, beginning of year	1,134,170	19,876,568	1,989,251
Fund balances, end of year	\$ 2,739,062	\$ 8,962,100	\$ 2,730,177

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals Governmental Funds
\$ 9,812,058	\$ 20,972,224
1,324,628	34,069,987
2,377,837	2,456,459
511,471	728,403
<u>1,668,832</u>	<u>2,211,014</u>
15,694,826	60,438,087
3,664,759	28,872,746
899,569	16,273,491
5,089	5,089
1,536,044	1,536,044
550,525	550,525
4,545	12,223,076
4,761,083	4,761,083
3,959,841	3,959,841
<u>216,932</u>	<u>728,403</u>
<u>15,598,387</u>	<u>68,910,298</u>
96,439	(8,472,211)
<u>1,808,095</u>	<u>24,808,084</u>
<u>\$ 1,904,534</u>	<u>\$ 16,335,873</u>

Woodhaven-Brownstown School District

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Net change in fund balances - total governmental funds **\$ (8,472,211)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 11,959,493	
Depreciation expense	(3,416,327)	
Loss on disposal of capital assets	<u>(690,159)</u>	
		7,853,007

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond borrowing	(80,959)	
Bond and note principal retirement	4,795,693	
Amortization of bond discount	<u>(121,145)</u>	
		4,593,589

Some revenues reported in the statement of activities are reported as earned, and do not meet the criteria of being current financial resources as required to be reported in the governmental funds. In the current period, these amounts consist of:

Increase in deferred revenue	68,725
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Some expenditures reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. In the current period, these amounts consist of:

Decrease in accrued interest payable	121,734	
Decrease in compensated absences, early retirement, and accrued vacation liabilities	<u>532,055</u>	
		<u>653,789</u>

Change in net assets of governmental activities **\$ 4,696,899**

See accompanying notes to financial statements.

Woodhaven-Brownstown School District

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	<u>Student Activities</u>
ASSETS	
Cash and cash equivalents	<u>\$ 311,368</u>
TOTAL ASSETS	<u><u>\$ 311,368</u></u>
LIABILITIES	
Due to student groups and activities	\$ 311,346
Due to other funds	<u>22</u>
TOTAL LIABILITIES	<u><u>\$ 311,368</u></u>

See accompanying notes to financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Woodhaven-Brownstown School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Woodhaven-Brownstown School District (primary government). The District has no activities that would be classified as component units.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the district-wide statements) present information for the district as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the district-wide statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The district-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The governmental fund financial statements present the District's individual major fund and aggregated nonmajor funds. A separate column is shown for the major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The major funds of the District are:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District, except those required to be accounted for in another fund.
- b. Capital Projects Fund - The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new capital assets for the District, which includes new school sites, buildings, equipment and major remodeling. The fund is kept open until the project or purchase for which the fund was created has been completed or accomplished.
- c. Sinking Fund - The Sinking Fund is used to record taxes and other revenue and the disbursement of monies specifically designated for capital improvements for the District. This fund is kept open for as long as the Sinking Fund millage is approved.

Additionally, the District reports the following fund types:

- e. Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Special Revenue Funds maintained by the District are the Cafeteria Fund, Athletics Fund, Funded Projects Fund and Special Education Fund.
- f. Debt Funds - Debt Funds are used to record tax, interest, and other revenue for payment of principal and interest and other expenditures and the disbursements thereof on a particular bond issue. For reporting purposes, the Debt Fund is divided into each debt issue, which are the 1999, 2002, 2003, 2004, 2006, and 2006B Debt Funds.
- g. Fiduciary Funds - Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school-related purposes. The funds are segregated and held in trust for the student and parents.

3. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Accounting - continued

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

4. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue funds. All unexpended appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.
- e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- f. The budget, as presented, has been amended in a legally permissible manner. Three (3) supplementary appropriations were made during the year with the final amendments being approved June 30, 2008.
- g. Encumbrance accounting is employed in governmental funds. Encumbrances (purchase orders, contracts, etc.) outstanding at year end are reported as reservations of fund balances and do not constitute expended items or liabilities because the goods and services have not been received as of year end.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Cash, Cash Equivalents and Investments

Cash and cash equivalents consist of checking and savings accounts, pooled investment accounts, and short-term investments with an original maturity of 90 days or less. Cash equivalents are recorded at cost, which approximates market value. Investments consist of U.S. Government securities with an original maturity of greater than 90 days. Investments are recorded at market value.

The restricted cash and cash equivalents represents the amounts held in the Capital Projects Fund and Sinking Fund related to unspent bond proceeds, Sinking Fund millage and related interest that is required to be set aside for construction and improvements.

6. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

7. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

8. Due from Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs, State Aid payments and other purposes. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2008 to be paid in July and August 2008. Of the total amount of \$6,555,169 due from other governmental units, \$6,237,216 consists of State Aid and the remaining \$317,953 from other governmental grants.

9. Capital Assets

Capital assets include land and improvements, buildings and improvements, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$5,000 and an estimated useful life of more than one (1) year. Capital assets also include individual cost items that are less than \$ 5,000 if the items were part of a large purchase to equip buildings. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	20 years
Buses and other vehicles	8 years
Buildings and improvements	20 - 50 years
Furniture and other equipment	5 - 20 years

The District has no assets that would be classified as infrastructure assets.

Woodhaven-Brownstown School District
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Compensated absences consist of earned but unused accumulated vacation and sick leave benefits, early retirement incentives, and other severance benefits. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

11. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements related to interest payable on general obligation bonds.

12. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

In the fund financial statements, funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums and discounts on debt issuances are netted and are reported as either other financing sources or other financing uses. Issuance costs are reported as debt service expenditures. In the government-wide financial statements, the premiums and discounts are recorded as a liability or contra liability and are amortized over the life of the bond issues.

13. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year for 100 percent of the taxes that are due September 30. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. School District property tax revenues are recognized when levied to the extent that they result in current revenue (collected within 60 days of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected, except for amounts received after 60 days from year end, which are recorded as deferred revenue.

The District levies a total of \$18 per \$1,000 of taxable valuation on nonhomestead property for general governmental services.

14. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. Prior to the fiscal year ended June 30, 1995 the State utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the average of pupil membership counts taken in February 2007 and September 2007. The average calculation was weighted 25% for the February 2007 count and 75% for the September 2007 count.

Woodhaven-Brownstown School District
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. State Foundation Revenue - continued

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

15. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

16. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Transfers of resources to other funds are recorded as operating transfers. Transfers are netted as part of the reconciliation to the district-wide financial statements.

17. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

18. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a State or national bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.

Woodhaven-Brownstown School District
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan School Code Section 1223 allows that security in the form of collateral, surety bond, or another form may be taken for the deposits or investments of a school district in a bank, savings and loan association, or credit union.

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, the carrying amount of the District's deposits was \$5,315,305 and the bank balance was \$5,555,680, of which \$258,055 was covered by federal depository insurance. The balance of \$5,297,625 was uninsured and uncollateralized. The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Investments

As of June 30, 2008, the carrying amounts and market values for each type of investment as reported in the cash and cash equivalents captions on the governmental funds balance sheet are as follows:

<u>Investment Type</u>	<u>Carrying Amount/ Market Value</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>
Insured or registered for which the securities are held by the District's agent in the District's name - U.S. Government Agency Securities	\$ 1,130,102	13.645 years	AAA
Uncategorized - Pooled investment funds			
Cash management funds	7,751,745	< 12 months	N/A
Sweep accounts	<u>2,841,016</u>	< 12 months	N/A
Totals	<u>\$11,722,863</u>		

The pooled investment funds are not categorized at a risk level because they are not evidenced by securities that exist in physical or book entry form.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUEDCredit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The ratings for each investment type are identified above for investments held at year end.

Interest rate risk

The District has adopted a policy that indicates how the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270 day maturity. The District minimizes its interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of credit risk

The District has adopted a policy that indicates how the District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District policy places no limit on the amount the District may invest in any one issuer. The District minimizes the concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The District has adopted a policy that indicates how the District will minimize custodial risk, which is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments of collateral securities that are in possession of an outside party. The District's policy limits the types of investments and depositories to those complying with State statute, and also requires prequalification of financial institutions, brokers/dealers, intermediaries and advisors. The District does not hold any investments subject to custodial credit risk of investments at year end.

As of June 30, 2008, the cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents captions in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 7,384,844	\$ 311,368	\$ 7,696,212
Cash and cash equivalents - restricted	8,211,854	-	8,211,854
Investments - restricted	<u>1,130,102</u>	<u>-</u>	<u>1,130,102</u>
	<u>\$ 16,726,800</u>	<u>\$ 311,368</u>	<u>\$ 17,038,168</u>

Woodhaven-Brownstown School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Balance June 30, 2008</u>
Governmental activities				
Land	\$ 859,596	\$ -	\$ -	\$ 859,596
Construction in progress	19,464,660	8,563,729	(27,377,145)	651,244
Land improvements	8,361,770	191,256	123,200	8,676,226
Buildings and improvements	87,690,736	1,134,650	26,906,371	115,731,757
Buses and other vehicles	2,930,442	90,495	(129,349)	2,891,588
Furniture and equipment	<u>12,849,412</u>	<u>1,979,363</u>	<u>(2,400,171)</u>	<u>12,428,604</u>
Totals at historical cost	132,156,616	11,959,493	(2,877,094)	141,239,015
Less accumulated depreciation for:				
Land improvements	(1,147,219)	(729,753)	-	(1,876,972)
Buildings and improvements	(27,966,370)	(3,116,762)	-	(31,083,132)
Buses and other vehicles	(1,755,809)	(258,171)	129,349	(1,884,631)
Furniture and equipment	<u>(7,436,109)</u>	<u>(1,107,403)</u>	<u>2,057,586</u>	<u>(6,485,926)</u>
Total accumulated depreciation	<u>(38,305,507)</u>	<u>(5,212,089)</u>	<u>2,186,935</u>	<u>(41,330,661)</u>
Capital assets, net	<u>\$ 93,851,109</u>	<u>\$ 6,747,404</u>	<u>\$(690,159)</u>	<u>\$ 99,908,354</u>

Depreciation expense was allocated to governmental functions. The following details the allocation of depreciation expense.

Instruction	\$ 3,190,680
Supporting services	1,790,825
Athletics	60,838
Cafeteria	<u>169,746</u>
	<u>\$ 5,212,089</u>

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2008.

	<u>Restated Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Amounts Due within One Year</u>
Bonds	\$88,555,000	\$ -	\$ 3,200,000	\$85,355,000	\$ 3,285,000
School bond loan fund	2,003,569	80,959	1,753,485	331,044	-
Other obligations	<u>2,587,732</u>	<u>6,748</u>	<u>538,803</u>	<u>2,055,677</u>	<u>67,055</u>
	<u>\$93,146,301</u>	<u>\$ 87,707</u>	<u>\$ 5,492,288</u>	<u>\$87,741,721</u>	<u>\$ 3,352,055</u>

Woodhaven-Brownstown School District
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation

\$4,940,000 Refunding Bonds dated January 28, 1999, due in annual installments of \$235,000 to \$380,000 through May 2017; interest at 4.05% to 4.65%.	\$ 2,250,000
\$56,540,000 Serial Bonds dated May 23, 2002, due in annual installments of \$1,500,000 through May 2012; interest at 3.15% to 5.50%.	6,000,000
\$7,985,000 Refunding Bonds dated March 19, 2003, due in annual installments of \$365,000 to \$470,000 through May 2034; interest at 3.00% to 3.80%.	2,815,000
\$33,885,000 Serial Bonds dated May 20, 2004, due in annual installments of \$800,000 to \$1,250,000 through May 2034; interest at 1.50% to 5.00%.	16,265,000
\$44,615,000 Refunding Bonds dated February 22, 2006, due in annual installments of \$125,000 to \$2,295,000 through May 2032; interest at 3.25% to 5.00%.	43,755,000
\$14,270,000 Refunding Bonds dated October 18, 2006, due in annual installments of \$651,700 to \$1,475,000 through May 2027; interest at 4.00% to 5.00%.	<u>14,270,000</u>
	<u>\$85,355,000</u>

Michigan School Bond Loans

The District has borrowed on various occasions from the Michigan School Bond Loan Fund. Repayment is due when the District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest ranged from 4.25 to 4.82 percent. The following is a summary of the loan balance as of June 30, 2008:

Loan balance	\$ 284,696
Interest balance	<u>46,348</u>
	<u>\$ 331,044</u>

Other Obligations

Other long-term obligations include the following:

Employee compensated absences	\$ 1,774,398
Accrued vacation	192,123
Early retirement incentive	<u>89,156</u>
	<u>\$ 2,055,677</u>

Woodhaven-Brownstown School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE D: LONG-TERM DEBT - CONTINUED

The annual requirements to pay the bonds principal and interest outstanding for the long-term debt are as follows.

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 3,285,000	\$ 3,836,095	\$ 7,121,095
2010	3,390,000	3,714,815	7,104,815
2011	3,420,000	3,585,867	7,005,867
2012	3,425,000	3,451,856	6,876,856
2013	3,575,000	3,301,326	6,876,326
2014-2018	18,335,000	13,852,549	32,187,549
2019-2023	17,240,000	9,820,658	27,060,658
2024-2028	16,865,000	5,826,017	22,691,017
2029-2033	14,570,000	1,994,753	16,564,753
2034	<u>1,250,000</u>	<u>53,126</u>	<u>1,303,126</u>
	<u>\$ 85,355,000</u>	<u>\$ 49,437,063</u>	<u>\$ 134,792,063</u>

NOTE E: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes	\$ 208,778	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	<u>-</u>	<u>60,116</u>
Total	<u>\$ 208,778</u>	<u>\$ 60,116</u>

NOTE F: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2008, are as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund		
Construction Bond Fund	\$ 281	\$ -
Other Nonmajor Funds	1,690	498,168
Fiduciary Fund	<u>22</u>	<u>-</u>
	1,993	498,168

Woodhaven-Brownstown School District
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE F: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

	<u>Due from other funds</u>	<u>Due to other funds</u>
Fiduciary Fund		
General Fund	\$ -	\$ 22
Construction Bond Fund		
General Fund	-	281
Sinking Fund	<u>3,966</u>	<u>-</u>
	3,966	281
Sinking Fund		
Construction Bond Fund	-	3,966
Other Nonmajor Funds		
General Fund	<u>498,168</u>	<u>1,690</u>
	<u>\$ 504,127</u>	<u>\$ 504,127</u>

NOTE G: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds are as follows:

General fund	
Transfers to Special Revenue Funds	
Athletics Fund	\$ 395,361
Cafeteria Fund	<u>116,110</u>
	<u>\$ 511,471</u>

NOTE H: EMPLOYEE RETIREMENT SYSTEM

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2007, the last year available, may be obtained by writing to the MPERS at P.O. Box 30171, Lansing, MI 48909-7671.

The payroll for employees covered by the MPERS for the year ended June 30, 2008, was \$28,066,766; the District's total payroll was \$28,590,274.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. For a limited period ended January 1, 1993, an active Basic Plan member may have enrolled in MIP by repaying the contributions and interest that would have been made had MIP enrollment occurred initially prior to January 1, 1990. Employees first hired on or after January 1, 1990, will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of credited service, or at age sixty while still working with a minimum total of five (5) years of credited service, with credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the member's final average compensation multiplied by the total number of years of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten (10) years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen (15) but fewer than thirty years of credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five (5) years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death and disability benefits and health and medical, dental, vision, and hearing insurance coverage. Benefits are established by State statute.

For the period of July 1, 2007 to September 30, 2007, the District was required by State statute to contribute 17.74% of covered compensation for all wages to the Plan. For the period October 1, 2007 to June 30, 2008, the District was required by State statute to contribute 16.72% of covered compensation for all wages to the Plan. The total amount contributed to the Plan for the year ended June 30, 2008, and the previous two (2) years is as follows:

<u>June 30,</u>	<u>MIP Contributions</u>	<u>District Contributions</u>	<u>Total Contributions</u>
2008	\$ 861,840	\$ 4,698,123	\$ 5,559,963
2007	816,793	4,662,191	5,478,984
2006	838,579	4,493,393	5,331,972

The following represents contributions as a percentage of the applicable covered payroll for the current and preceding two (2) years:

<u>June 30,</u>	<u>MIP Contributions</u>	<u>District Contributions</u>
2008	3.0-4.3 %	16.94 %
2007	3.0-4.3	17.50
2006	3.0-4.3	16.01

Woodhaven-Brownstown School District
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE I: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the District has set aside for specific purposes.

The following are the fund balance reserves as of June 30, 2008:

General Fund	
Reserved for prepaid expenditures	\$ 123,220
Debt Service Funds	
1990 Debt	
Reserved for debt service	86,000
2002 Debt	
Reserved for debt service	289,616
2003 Debt	
Reserved for debt service	111,777
2004 Debt	
Reserved for debt service	726,813
2006 Debt	
Reserved for debt service	566,667
2006B Debt	
Reserved for debt service	<u>123,661</u>
	<u>1,904,534</u>
	<u>\$ 2,027,754</u>

The following are the fund balance designations as of June 30, 2008:

General Fund	
Designated for technology replacement	\$ 238,136
Designated for capital purchases and improvements	30,000
Designated for building budget carryover	<u>31,831</u>
	<u>\$ 299,967</u>

NOTE J: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler, property, fleet, liability, in-land marine, crime, data processing, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. The District has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The District also participates in a pool, the SEG Self-Insured Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The District has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

Woodhaven-Brownstown School District
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE K: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the body of the required supplementary financial statements, the District's budgeted expenditures in the General Fund have been adopted and reported at the functional classification level.

During the year ended June 30, 2008, the District incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>	<u>Percent of Variance</u>
General Fund				
Supportive Services				
Pupil	\$ 3,087,781	\$ 3,093,208	\$ 5,427	.18

NOTE L: BONDED CONSTRUCTION AND SINKING FUNDS

The Capital Projects Fund of the District includes the capital projects activities funded by bonds issued after May 1, 1994. For the projects recorded in the Capital Projects Fund, the District has complied with the applicable provisions of Section 1351 (1) of the Revised School Code for current year expenditures. The Sinking Fund records capital project activities funded with the Sinking Fund millage. For the projects recorded in the Sinking Fund, the District has complied with the applicable provisions of Section 1212 (1) of the Revised School Code for current year expenditures.

NOTE M: CONTRACT COMMITMENTS

The District has entered into various contracts related to the construction and improvements to various school building projects that were not completed at June 30, 2008. The total contractual commitments outstanding at June 30, 2008 were \$2,106,841. The District's remaining bond proceeds (i.e., fund balance) along with future anticipated investment earnings are expected to be sufficient to cover these commitments.

NOTE N: SUBSEQUENT EVENT

After June 30, 2008, the District settled a lawsuit with their bonded projects construction manager. The District anticipates receipt of the settlement payment during the 2008/2009 school year, and they plan to record that revenue in the Capital Projects Fund financial statements during the year ending June 30, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

Woodhaven-Brownstown School District

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 8,605,615	\$ 9,150,155	\$ 9,231,589	\$ 81,434
State sources	32,076,825	32,701,182	32,745,359	44,177
Federal sources	-	78,622	78,622	-0-
OTHER FINANCING SOURCES				
Interdistrict	510,786	532,874	542,182	9,308
Transfers in	260,000	187,000	216,932	29,932
TOTAL REVENUES AND OTHER FINANCING SOURCES	41,453,226	42,649,833	42,814,684	164,851
EXPENDITURES				
Current				
Instruction				
Basic programs	20,291,437	21,313,179	21,279,722	33,457
Added needs	4,166,360	3,941,224	3,928,265	12,959
Total instruction	24,457,797	25,254,403	25,207,987	46,416
Supporting services				
Pupil	3,435,683	3,087,781	3,093,208	(5,427)
Instructional staff	1,619,826	1,442,961	1,350,168	92,793
General administration	909,387	910,939	910,431	508
School administration	2,431,998	2,341,487	2,319,553	21,934
Business	879,712	767,257	741,158	26,099
Central	880,300	809,344	738,164	71,180
Pupil transportation	2,098,571	2,040,887	1,906,644	134,243
Operations and maintenance	4,595,169	4,490,327	4,314,596	175,731
Total supporting services	16,850,646	15,890,983	15,373,922	517,061
Capital Outlay	118,850	135,048	116,412	18,636
OTHER FINANCING USES				
Transfers out	382,396	538,735	511,471	27,264
TOTAL EXPENDITURES AND OTHER FINANCING USES	41,809,689	41,819,169	41,209,792	609,377

Woodhaven-Brownstown School District

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (356,463)	\$ 830,664	\$ 1,604,892	\$ 774,228
Fund balance, beginning of year	<u>707,012</u>	<u>798,648</u>	<u>1,134,170</u>	<u>335,522</u>
Fund balance, end of year	<u>\$ 350,549</u>	<u>\$ 1,629,312</u>	<u>\$ 2,739,062</u>	<u>\$ 1,109,750</u>

OTHER SUPPLEMENTARY INFORMATION

Woodhaven-Brownstown School District

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2008

	Special Revenue			
	Athletics	Cafeteria	Funded Projects	Special Education
ASSETS				
Cash and cash equivalents	\$ 1,690	\$ -	\$ -	\$ -
Accounts receivable	-	183	-	-
Taxes receivable	-	-	-	-
Due from other funds	-	927	-	497,241
TOTAL ASSETS	<u>\$ 1,690</u>	<u>\$ 1,110</u>	<u>\$ -0-</u>	<u>\$ 497,241</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 520	\$ -	\$ -
Due to other governments	-	-	-	497,241
Other accrued liabilities	-	590	-	-
Deferred revenue	-	-	-	-
Due to other funds	<u>1,690</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	1,690	1,110	-0-	497,241
FUND BALANCES				
Reserved for				
Debt Service	-	-	-	-
Unreserved				
Undesignated, reported in:				
Special Revenue Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,690</u>	<u>\$ 1,110</u>	<u>\$ -0-</u>	<u>\$ 497,241</u>

Debt Service						Total Nonmajor Governmental Funds
1999 Debt	2002 Debt	2003 Debt	2004 Debt	2006 Debt	2006B Debt	
86,000	289,616	111,777	726,813	566,667	123,661	\$ 1,906,224
-	-	-	-	-	-	183
1,360	6,432	2,311	5,705	14,766	2,984	33,558
-	-	-	-	-	-	498,168
<u>\$ 87,360</u>	<u>\$ 296,048</u>	<u>\$ 114,088</u>	<u>\$ 732,518</u>	<u>\$ 581,433</u>	<u>\$ 126,645</u>	<u>\$ 2,438,133</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 520
-	-	-	-	-	-	497,241
-	-	-	-	-	-	590
1,360	6,432	2,311	5,705	14,766	2,984	33,558
-	-	-	-	-	-	1,690
1,360	6,432	2,311	5,705	14,766	2,984	533,599
86,000	289,616	111,777	726,813	566,667	123,661	1,904,534
-	-	-	-	-	-	-
<u>86,000</u>	<u>289,616</u>	<u>111,777</u>	<u>726,813</u>	<u>566,667</u>	<u>123,661</u>	<u>1,904,534</u>
<u>\$ 87,360</u>	<u>\$ 296,048</u>	<u>\$ 114,088</u>	<u>\$ 732,518</u>	<u>\$ 581,433</u>	<u>\$ 126,645</u>	<u>\$ 2,438,133</u>

Woodhaven-Brownstown School District

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	Special Revenue			
	Athletics	Cafeteria	Funded Projects	Special Education
REVENUES				
Local sources	\$ 155,321	\$ 828,686	\$ 10,688	\$ -
State sources	-	63,601	593,262	667,765
Federal sources	-	529,597	1,848,240	-
OTHER FINANCING SOURCES				
Transfers from other funds	395,361	116,110	-	-
Interdistrict	-	-	-	1,668,832
TOTAL REVENUES AND OTHER FINANCING SOURCES	550,682	1,537,994	2,452,190	2,336,597
EXPENDITURES				
Current				
Instruction	-	-	2,256,634	1,408,125
Support services	-	-	190,467	709,102
Community service	-	-	5,089	-
Food service activities	-	1,536,044	-	-
Athletic activities	550,525	-	-	-
Capital outlay	157	1,950	-	2,438
Debt service				
Principal retirement	-	-	-	-
Interest, fiscal and other charges	-	-	-	-
OTHER FINANCING SOURCES				
Transfers to other funds	-	-	-	216,932
TOTAL EXPENDITURES	550,682	1,537,994	2,452,190	2,336,597
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Debt Service						Total Nonmajor Governmental Funds
1999 Debt	2002 Debt	2003 Debt	2004 Debt	2006 Debt	2006B Debt	
\$ 389,823	\$ 1,787,986	\$ 543,257	\$ 1,512,055	\$ 3,866,912	\$ 717,330	\$ 9,812,058
-	-	-	-	-	-	1,324,628
-	-	-	-	-	-	2,377,837
-	-	-	-	-	-	511,471
-	-	-	-	-	-	1,668,832
389,823	1,787,986	543,257	1,512,055	3,866,912	717,330	15,694,826
-	-	-	-	-	-	3,664,759
-	-	-	-	-	-	899,569
-	-	-	-	-	-	5,089
-	-	-	-	-	-	1,536,044
-	-	-	-	-	-	550,525
-	-	-	-	-	-	4,545
270,000	1,500,000	455,000	1,028,836	1,507,247	-	4,761,083
111,875	310,000	111,855	681,183	2,091,328	653,600	3,959,841
-	-	-	-	-	-	216,932
381,875	1,810,000	566,855	1,710,019	3,598,575	653,600	15,598,387
7,948	(22,014)	(23,598)	(197,964)	268,337	63,730	96,439
78,052	311,630	135,375	924,777	298,330	59,931	1,808,095
\$ 86,000	\$ 289,616	\$ 111,777	\$ 726,813	\$ 566,667	\$ 123,661	\$ 1,904,534

Principals

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Woodhaven-Brownstown School District
Brownstown, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Woodhaven-Brownstown School District as of and for the year ended June 30, 2008, which collectively comprise Woodhaven-Brownstown School District's basic financial statements and have issued our report thereon dated September 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodhaven-Brownstown School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the district's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

2008-1 BUDGETS

Condition: As noted in the financial statements, one (1) activity in the General Fund exceeded the amount appropriated. While this overage did not appear to be material to the financial statements as a whole, it was still a noted budget overage that new professional standards require us to report on.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Effect: The District had a minor instance of budgetary noncompliance relative to State law in the area where the overage occurred.

Recommendation: We recommend the District continue to do the extensive amount of work that is already being done and continue to monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: Occasionally, as in this instance, administration unintentionally neglects to inform the business office when additional work days for staff have been approved. The business office will budget more dollars in salaries for those areas in which additional work days have been approved, such as in counseling, where this practice is not uncommon and has occurred in the past.

The District's response to the finding identified in our audit is described above. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, the Board of Education of Woodhaven-Brownstown School District, the pass-through entities, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 22, 2008

Woodhaven-Brownstown School District

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

June 30, 2008

Woodhaven-Brownstown School District

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Woodhaven-Brownstown School District
Woodhaven, Michigan

Compliance

We have audited the compliance of Woodhaven-Brownstown School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to the major Federal programs for the year ended June 30, 2008. The Woodhaven-Brownstown School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs are the responsibility of Woodhaven-Brownstown School District's administration. Our responsibility is to express an opinion on Woodhaven-Brownstown School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major Federal programs occurred. An audit includes examining, on a test basis, evidence about Woodhaven-Brownstown School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Woodhaven-Brownstown School District's compliance with those requirements.

In our opinion, the Woodhaven-Brownstown School District complied, in all material respects, with the requirements referred to above that are applicable to the major Federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The administration of Woodhaven-Brownstown School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Woodhaven-Brownstown School District's internal control over compliance with requirements that could have a direct and material effect on the major Federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major Federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Woodhaven-Brownstown School District as of and for the year ended June 30, 2008, and have issued our report thereon dated September 22, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively compromise Woodhaven-Brownstown School District's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education and administration of Woodhaven-Brownstown School District, the pass-through grantors, and the U.S. Departments of Agriculture and Education and is not intended to be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 22, 2008

Woodhaven-Brownstown School District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Year Ended June 30, 2008

<u>Federal Grantor/ Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>(Memo Only) Prior Years' Expenditures</u>
U.S. DEPARTMENT OF EDUCATION				
Passed Through State Department of Education				
E.S.E.A. Title I	84.010			
2006-07 Regular		0715300607	\$ 403,327	\$ 336,404
2007-08 Regular		0815300708	<u>472,883</u>	<u>-</u>
			876,210	336,404
 Title V LEA Allocation	 84.298			
2007-08		0802500708	2,161	-
 Technology Literacy Challenge Grants	 84.318			
2007-08 Ed Tech - Formula Grant		0842900708	7,014	-
 Improving Teacher Quality	 84.367			
2006-07 Regular		0705200607	198,160	164,624
2007-08 Regular		0805200708	<u>199,559</u>	<u>-</u>
			397,719	164,624
 Passed Through State Department of Education and Wayne County RESA				
Safe and Drug-Free Schools Program	84.186			
2006-07		DRUG-2707	10,500	8,481
2007-08		DRUG-2708	<u>10,500</u>	<u>-</u>
			21,000	8,481
 Passed Through State Department of Education and Wayne County RESA				
Special Education IDEA	84.027A ^{(e) (g)}			
2006/2007 Regular		070450-0607	1,136,296	1,001,440
2007/2008 Regular		080450-0708	1,138,654	-
2006/2007 Positive Behavior		N/A	3,500	3,500
2006/2007 Positive Behavior		N/A	5,000	4,968
2006/2007 Positive Behavior		N/A	1,500	1,500
2006/2007 Positive Behavior		N/A	4,000	3,568
2006/2007 Positive Behavior		N/A	5,000	-
2006/2007 Transition		N/A	5,000	5,000
2006/2007 Early On		N/A	8,900	8,900
2007/2008 Positive Behavior		N/A	3,000	-
2007/2008 Positive Behavior		N/A	1,000	-
2007/2008 Positive Behavior		N/A	1,500	-
2007/2008 Positive Behavior		N/A	4,000	-
2007/2008 Positive Behavior		N/A	3,500	-
2007/2008 Transition		N/A	4,000	-
2007/2008 Early On		N/A	<u>8,836</u>	<u>-</u>
			2,333,686	1,028,876

<u>July 1, 2007</u>		<u>Cash Receipts/ In-Kind Payments</u>	<u>June 30, 2008</u>		<u>Expenditures</u>	<u>Balance June 30, 2008</u>
<u>Inventory/ Cash or (Payables)</u>	<u>Accrued or (Deferred) Revenue</u>		<u>Accrued or (Deferred) Revenue</u>	<u>Revenue</u>		<u>Inventory/ Cash or (Payables)</u>
\$ (32,595)	\$ 32,595	\$ 48,521	\$ -	\$ 15,926	\$ 15,926	\$ -0-
-	-	281,940	71,946	353,886	353,886	(71,946)
(32,595)	32,595	330,461	71,946	369,812	369,812	(71,946)
-	-	2,161	-	2,161	2,161	-0-
-	-	4,019	1,286	5,305	5,305	(1,286)
(39,931)	39,931	39,931	-	-	-	-
-	-	174,845	33,409	208,254	208,254	(33,409)
(39,931)	39,931	214,776	33,409	208,254	208,254	(33,409)
2,019	(2,019)	-	-	2,019	2,019	-0-
-	-	10,500	(5,210)	5,290	5,290	5,210
2,019	(2,019)	10,500	(5,210)	7,309	7,309	5,210
(232,928)	232,928	367,784	-	134,856	134,856	-0-
-	-	880,095	176,625	1,056,720	1,056,720	(176,625)
(3,500)	3,500	3,500	-	-	-	-0-
(4,968)	4,968	4,968	-	-	-	-0-
(1,500)	1,500	1,500	-	-	-	-0-
(3,568)	3,568	4,000	-	432	432	-0-
-	-	2,090	-	2,090	2,090	-0-
(5,000)	5,000	5,000	-	-	-	-0-
(8,900)	8,900	8,900	-	-	-	-0-
-	-	-	3,000	3,000	3,000	(3,000)
-	-	-	1,000	1,000	1,000	(1,000)
-	-	-	1,500	1,500	1,500	(1,500)
-	-	-	3,424	3,424	3,424	(3,424)
-	-	-	3,051	3,051	3,051	(3,051)
-	-	3,480	-	3,480	3,480	-0-
-	-	4,418	4,418	8,836	8,836	(4,418)
(260,364)	260,364	1,285,735	193,018	1,218,389	1,218,389	(193,018)

Woodhaven-Brownstown School District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For Year Ended June 30, 2008

<u>Federal Grantor/ Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>(Memo Only) Prior Years' Expenditures</u>
U.S. DEPARTMENT OF EDUCATION - CONTINUED				
Passed Through State Department of Education and Wayne County RESA				
Preschool	84.173A ^{(e) (g)}			
2006/2007 Regular		070460-0607	\$ 22,995	\$ 20,432
2007/2008 Regular		080460-0708	<u>39,494</u>	<u>-</u>
			<u>62,489</u>	<u>20,432</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			3,700,279	1,558,817
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through State Department of Education				
School Breakfast Program	10.553 ^{(e) (f)}			
2006-07		N/A	57,109	57,109
2007-08		N/A	<u>74,337</u>	<u>-</u>
			131,446	57,109
National School Lunch Program	10.555 ^{(e) (f)}			
2006-07		N/A	336,916	336,916
2007-08			<u>400,225</u>	<u>-</u>
			737,141	336,916
Food Donation Program	10.550			
Bonus commodities		N/A	250	-
Direct Program				
Food Donation Program	10.550			
Cash in Lieu of Commodities		N/A	<u>54,785</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>923,622</u>	<u>394,025</u>
TOTAL FEDERAL AWARDS			<u>\$ 4,623,901</u>	<u>\$ 1,952,842</u>

<u>July 1, 2007</u>			<u>June 30, 2008</u>			<u>Balance June 30, 2008</u>
<u>Inventory/ Cash or (Payables)</u>	<u>Accrued or (Deferred) Revenue</u>	<u>Cash Receipts/ In-Kind Payments</u>	<u>Accrued or (Deferred) Revenue</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Inventory/ Cash or (Payables)</u>
<u>\$ (4,448)</u>	<u>\$ 4,448</u>	<u>\$ 7,011</u>	<u>\$ -</u>	<u>\$ 2,563</u>	<u>\$ 2,563</u>	<u>\$ -0-</u>
<u>-</u>	<u>-</u>	<u>27,773</u>	<u>6,674</u>	<u>34,447</u>	<u>34,447</u>	<u>(6,674)</u>
<u>(4,448)</u>	<u>4,448</u>	<u>34,784</u>	<u>6,674</u>	<u>37,010</u>	<u>37,010</u>	<u>(6,674)</u>
<u>(335,319)</u>	<u>335,319</u>	<u>1,882,436</u>	<u>301,123</u>	<u>1,848,240</u>	<u>1,848,240</u>	<u>(301,123)</u>
<u>(3,707)</u>	<u>3,707</u>	<u>3,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
<u>-</u>	<u>-</u>	<u>74,337</u>	<u>-</u>	<u>74,337</u>	<u>74,337</u>	<u>-0-</u>
<u>(3,707)</u>	<u>3,707</u>	<u>78,044</u>	<u>-0-</u>	<u>74,337</u>	<u>74,337</u>	<u>-0-</u>
<u>(18,518)</u>	<u>18,518</u>	<u>18,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
<u>-</u>	<u>-</u>	<u>400,225</u>	<u>-</u>	<u>400,225</u>	<u>400,225</u>	<u>-0-</u>
<u>(18,518)</u>	<u>18,518</u>	<u>418,743</u>	<u>-0-</u>	<u>400,225</u>	<u>400,225</u>	<u>-0-</u>
<u>-</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>250 ^(a)</u>	<u>250 ^(c)</u>	<u>-0-</u>
<u>-</u>	<u>-</u>	<u>54,785</u>	<u>-</u>	<u>54,785</u>	<u>54,785</u>	<u>-0-</u>
<u>(22,225)</u>	<u>22,225</u>	<u>551,822</u>	<u>-0-</u>	<u>529,597</u>	<u>529,597</u>	<u>-0-</u>
<u><u>\$ (357,544)</u></u>	<u><u>\$ 357,544</u></u>	<u><u>\$ 2,434,258 ^(d)</u></u>	<u><u>\$ 301,123</u></u>	<u><u>\$ 2,377,837 ^(h)</u></u>	<u><u>\$ 2,377,837 ^(b)</u></u>	<u><u>\$ (301,123)</u></u>

Woodhaven-Brownstown School District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2008

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Woodhaven-Brownstown School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) through (h) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards.

- (a) The current year revenues for the Food Donation Program are determined based on the 2002/03 guidance provided previously from the Michigan Department of Education Administrative Policy Number 7. The amounts reported in this schedule as commodities received were taken from the Recipient Entitlement Balance Report which is in agreement in all material respects with the District's reported amounts.
- (b) The expenditures reported in this schedule are in agreement with the amounts reported in the financial statements and financial reports. The financial reports tested, including claims for advances and reimbursements, were materially correct, complete, accurate, and timely and contain information that is supported by the books and records from which the financial statements have been prepared.
- (c) The amount of out of conditioned commodities due to spoilage or shrinkage included in expenditures is immaterial to the Schedule of Expenditures of Federal Awards taken as a whole.
- (d) The amounts reported in this schedule as cash received are in agreement with the current payment amounts in the Grants Section Auditor's Report and/or Grant Auditor Report, except as noted below:

<u>Grant #/Project #</u>	<u>Per SEFA</u>	<u>Per Grant Auditor Report</u>	<u>Explanation</u>
05020/0506	\$ -	\$ 3,116	District actually received June 2006
054290/0405	-	2,691	District actually received June 2005
054290/0506	-	8,350	District actually received June 2006

- (e) Denotes programs tested as "major program".
- (f) Denotes programs required to be clustered by the United States Department of Agriculture.
- (g) Denotes programs required to be clustered by the United States Department of Education.
- (h) Agrees to total revenues from Federal sources per financial statements reconciled as follows:

Federal revenues per financial statements	\$ 2,456,459
Less: Medicaid funds not subject to Single Audit	(78,622)
Federal expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 2,377,837</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Woodhaven-Brownstown School District
Brownstown, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Woodhaven-Brownstown School District as of and for the year ended June 30, 2008, which collectively comprise Woodhaven-Brownstown School District's basic financial statements and have issued our report thereon dated September 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodhaven-Brownstown School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the district's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the attached Schedule of Findings as Finding #2008-1.

This report is intended solely for the information and use of the management, the Board of Education of Woodhaven-Brownstown School District, the pass-through entities, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 22, 2008

Woodhaven-Brownstown School District

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2008

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no significant deficiencies disclosed by the audit of the basic financial statements. We noted one (1) instance of noncompliance with laws, regulations, contracts and grants that could have a direct and material effect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We did not disclose any findings regarding internal controls or compliance related to the major programs tested.

The major programs tested to cover 25 percent of the total Federal expenditures was the National School Lunch and School Breakfast program cluster (CFDA 10.553 and 10.555) and the Special Education IDEA/Preschool program cluster (CFDA 84.027A and 84.173A). Total Federal expenditures for the year ended June 30, 2008 for the major programs tested were \$ 1,729,961, which is approximately 73 percent of total Federal expenditures. The District qualified as a low risk auditee.

The District had three (3) Type A programs. Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Significant Deficiencies Related to Internal Controls Over the Basic Financial Statements.

NONE

Findings Related to Compliance with Requirements Applicable to the Basic Financial Statements.

2008-1 BUDGETS

Condition: As noted in the financial statements, one (1) activity in the General Fund exceeded the amount appropriated. While this overage did not appear to be material to the financial statements as a whole, it was still a noted budget overage that new professional standards require us to report on.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Effect: The District had a minor instance of budgetary noncompliance relative to State law in the area where the overage occurred.

Recommendation: We recommend the District continue to do the extensive amount of work that is already being done and continue to monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: Occasionally, as in this instance, administration unintentionally neglects to inform the business office when additional work days for staff have been approved. The business office will budget more dollars in salaries for those areas in which additional work days have been approved, such as in counseling, where this practice is not uncommon and has occurred in the past.

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

NONE

Woodhaven-Brownstown School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2008

FINDINGS/NONCOMPLIANCE

Significant Deficiencies Related to Internal Controls Over the Basic Financial Statements

2007-1 RECONCILIATION OF INTERFUND TRANSFERS IN THE DEBT SERVICE FUNDS

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition: During our procedures we noted that the funds for debt service 1994 and 2004 were out of balance by approximately \$43,000. This was due to the 1994 transferring funds to the 2004 fund.

Cause: The accounting system treats all debt service funds under one fund number (fund number 3) as such, there are no controls over inter-fund transfers as reported in the financial statements.

Effect: As a result of this condition, the District may potentially have misstated equity in the debt service funds.

View of Responsible Officials: The District will implement a procedure to periodically review the Debt Service Fund in order to verify that accounts are properly in balance.

Current Status: During our audit of the current year, we found all Debt Service Fund activities to be in balance.

2007-2 RECONCILIATION OF RETENTION PAYABLE

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition: The District does not perform procedures to determine retention payable.

Cause: During our procedures we noted that for construction projects the management relies on a spreadsheet prepared by the contractor to provide them with the balances owed as "Retention payable" for the difference between how much of the project is completed and how much has already been paid by the School District.

Effect: We believe that this poses a risk that management may not be able to detect whether the amounts owed by the School District are accurately reflected by the contractor's spreadsheet.

View of Responsible Officials: The business office will implement a procedure to track retention payable for construction projects as part of the accounts payable process.

Current Status: During our audit of the current year, we noted that the District was able to provide us adequate documentation to support the amounts of retention payable balances outstanding at year end.

Woodhaven-Brownstown School District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED

For the Year Ended June 30, 2008

FINDINGS/NONCOMPLIANCE

Significant Deficiencies Related to Internal Controls Over the Basic Financial Statements - Continued.

2007-3 SEGREGATION OF DUTIES OVER PAYROLL

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting safeguarding the District's assets.

Condition: During the course of our audit, we noted an instance where multiple key payroll duties were being performed by the same individual and there were no mitigating controls in place to ensure effective internal controls. Specifically, the payroll clerk inputs new hire information into the payroll system, and processes and prints the payroll checks.

Cause: As is the case with many organizations of similar size, the District lacks a sufficient number of personnel in order to ensure a complete segregation of duties within its accounting function.

Effect: The District's current system of internal control does not appear to have sufficient safeguards in place to ensure that fraud or abuse is prevented or can be detected in a timely manner. Ideally, no single individual should ever be able to input payroll records and prepare payroll checks. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and be able to conceal it.

View of Responsible Officials: The District has considered the risk due to this lack of segregation of duties and has determined that the cost of mitigating this issue does not warrant, at this time, the expense of implementing a change that would ensure proper segregation of duties, i.e., adding staff

Current Status: During our audit of the current year, we reviewed the internal control structure and systems related to the payroll area. Although the segregation of duties is not ideal due to lack of adequate staffing to do so, we feel that the District has implemented adequate mitigating controls to provide a reasonable internal control structure over this area.

Findings Related to Compliance with Requirements Applicable to the Basic Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.

Principals

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Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
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MANAGEMENT LETTER

To the Board of Education
Woodhaven-Brownstown School District
Brownstown, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of Woodhaven-Brownstown School District for the year ended June 30, 2008. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving the administration's internal controls and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structures and our discussions with the administration.

1. The District should review procedures related to payroll check distribution.

During our analysis and testing of the accounting and administrative internal control structure related to payroll, we noted that the District procedure related to distribution of payroll checks is to have each employee at the various building locations sign a payroll check distribution log to document receipt of their payroll check (if not a direct deposit). During our testing of a sample of payroll check disbursements, we noted four (4) instances where the payroll check distribution log could not be located to support receipt of the payroll check by the employee.

We suggest the District review procedures related to payroll check distribution to assure that all payroll check logs are obtained and that they include the appropriate signatures of all employees who receive payroll checks.

2. The District should review procedures related to disposal of capital assets.

During our analysis and testing of capital asset records, we noted that during the current year the District disposed of a considerable amount of old furniture and equipment due to the purchase of new furniture and equipment for facilities as part of the bond project. In our discussions with District administration, it was indicated that initially an auction of these items was considered by the Bond Project committee, however it was determined that the value of the items did not merit this approach. It was finally decided by the committee that the items would be donated to non-profit organizations. This decision did not appear to be formally approved by the District Board of Education.

We suggest the District review procedures related to disposal of capital assets to assure that proper internal controls are in place to safeguard assets and authorizations are documented.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements and this report does not affect our report on the basic financial statements dated September 22, 2008.

This report is intended solely for the use of the administration and Board of Education of Woodhaven-Brownstown School District and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 22, 2008